

**STORM LAKE  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS & QUESTIONED COSTS

JUNE 30, 2007

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**STORM LAKE COMMUNITY SCHOOL DISTRICT**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

**(Before September, 2006 Election)**

Mark Schultz	President	2007
Edward McKenna	Vice President	2007
Todd Nicholson		2006
Dan Douglas		2006
Leslie Cutler		2008

**(After September, 2006 Election)**

Mark Schultz	President	2007
Edward McKenna	Vice President	2007
Todd Nicholson		2009
Dan Douglas		2009
Leslie Cutler		2008

**School Officials**

Paul Tedesco	Superintendent
Trudy Peterson	District Secretary/ Treasurer

# BRUCE D. FRINK

Certified Public Accountant

## Independent Auditor's Report

To the Board of Education of  
Storm Lake Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Storm Lake Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Storm Lake Community School District as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated February 19, 2008 on our consideration of Storm Lake Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

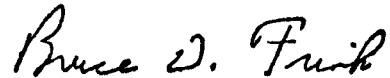
### Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

### Plus:

- Over 25 years of Expertise and Experience
- Evenings & Saturdays Available
- Extended Hours During Tax Season

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Storm Lake Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Bruce D. Frink". The signature is written in a cursive, flowing style.

Bruce D. Frink  
Certified Public Accountant

February 19, 2008

# **STORM LAKE COMMUNITY SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Storm Lake Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2007 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$17,636,416 in fiscal year 2006 to \$18,432,934 in fiscal year 2007, while General Fund expenditures increased from \$18,052,223 in fiscal 2006 to \$18,456,168 in fiscal 2007.
- The increase in General Fund revenues was attributable to increases in state revenues in fiscal year 2007. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits as well as increased designated state sourced revenues activity. The General Fund balance decreased slightly due to allowable growth being inadequate to keep up with normal expenses increases.
- The District began collecting school infrastructure local option sales tax from Buena Vista County in fiscal year 2005. The majority of the District's students reside in Buena Vista County. Revenues exceeded \$1,200,000 in fiscal 2007.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Gilmore City-Bradgate Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Gilmore City-Bradgate Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Gilmore City-Bradgate Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

*Storm Lake Community School District Annual Financial Report*

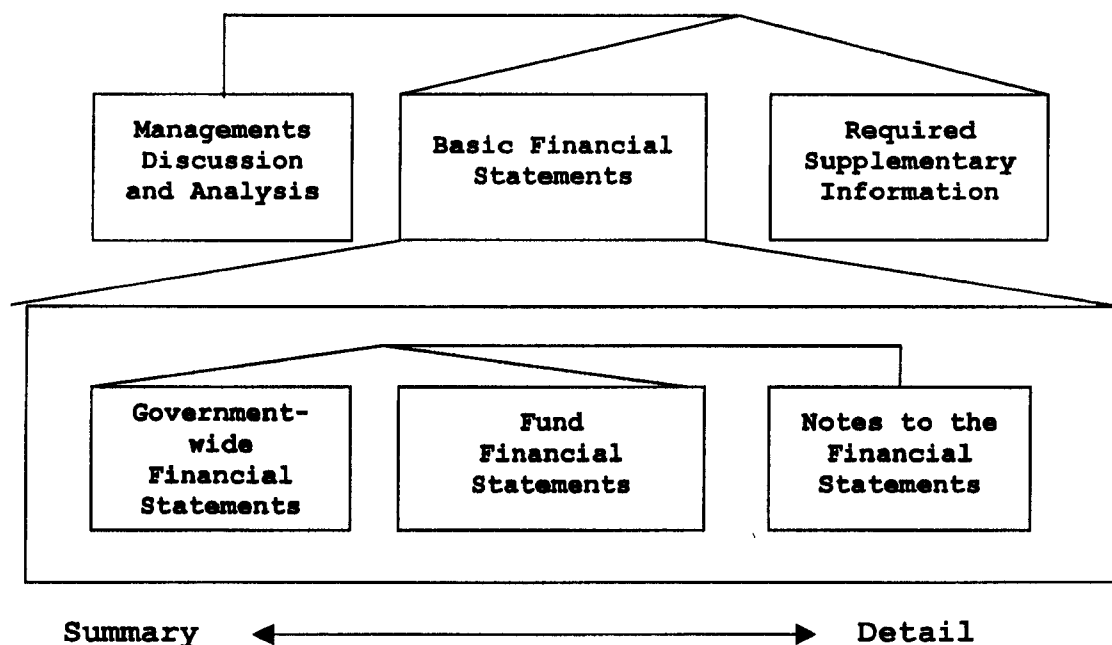


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>			
	<b>Government-wide Statements</b>	<b>Fund Financial Statements</b>	
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service
Required financial statements	<ul style="list-style-type: none"> <li>. Statement of Net Assets</li> <li>. Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>. Balance sheet</li> <li>. Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>. Statement of Net Assets</li> <li>. Statement of Revenues, Expenses and Changes in Net Assets</li> <li>. Statement of Cash Flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds and the Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Community Education Fund. The District also has an Internal Service fund and flexible spending program.

The required financial statements for proprietary funds include a Statement of Net Assets, a statement of revenues, expenses, changes in net assets and a Statement of cash flows.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to 2006.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(Expressed in Thousands)**

	<b>Governmental Activities</b>		<b>Business type Activities</b>		<b>Total District</b>		<b>Total Change</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2006-07</b>
	\$	\$	\$	\$	\$	\$	
Current assets	22,759	15,657	183	233	22,942	15,890	44.38%
Capital assets	8,165	8,976	121	133	8,286	9,109	-9.04%
<b>Total assets</b>	<b>30,924</b>	<b>24,633</b>	<b>304</b>	<b>366</b>	<b>31,228</b>	<b>24,999</b>	<b>24.92%</b>
Current liabilities	8,456	11,709	5	41	8,461	11,750	-27.99%
Non-current liabilities	9,800	1,720	-	-	9,800	1,720	469.77%
<b>Total liabilities</b>	<b>18,256</b>	<b>13,429</b>	<b>5</b>	<b>41</b>	<b>18,261</b>	<b>13,470</b>	<b>35.57%</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	6,920	7,256	121	133	7,041	7,389	-4.71%
Restricted	3,723	2,026	-	-	3,723	2,026	83.76%
Unrestricted	2,025	1,922	178	192	2,203	2,114	4.21%
<b>Total net assets</b>	<b>12,668</b>	<b>11,204</b>	<b>299</b>	<b>325</b>	<b>12,967</b>	<b>11,529</b>	<b>12.47%</b>

The District's combined net assets increased by 12% at June 30, 2007 over June 30, 2006. This occurred primarily from the increase in the Capital Projects Fund resulting from bond proceeds for the new elementary school and the collection of the one cent sales tax from Buena Vista County where the majority of the District's students reside.

The General Fund decreased by 1% due to failure of revenues to keep pace with expenditures increases. 4% allowable growth is inadequate to maintain programs in a diverse environment.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

**Figure A-4**  
**Change in Net Assets**  
**(Expressed in Thousands)**

	<b>Governmental Activities</b>		<b>Business type Activities</b>		<b>Total District</b>		<b>Total Change</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2006-07</b>
	\$	\$	\$	\$	\$	\$	%
<b>Revenues:</b>							
Program revenues:							
Charges for service and sales	1,150	1,256	585	603	1,735	1,859	-6.67%
Operating grants, contributions and restricted interest	4,438	4,186	589	588	5,027	4,774	5.30%
General revenues:							
Property tax	5,027	5,112	-	-	5,027	5,112	-1.66%
Income surtax	238	233	-	-	238	233	2.15%
Local option sales tax	1,207	989	-	-	1,207	989	22.04%
Unrestricted state grants	8,884	7,932	-	-	8,884	7,932	12.00%
Unrestricted investment earnings	242	64	-	-	242	64	278.13%
Other	(194)	357	-	-	(194)	357	-154.34%
Total revenues	<u>20,992</u>	<u>20,129</u>	<u>1,174</u>	<u>1,191</u>	<u>22,166</u>	<u>21,320</u>	<u>3.97%</u>
Program expenses:							
Governmental activities:							
Instruction	12,089	12,442	-	-	12,089	12,442	-2.84%
Support Services	5,729	5,201	-	-	5,729	5,201	10.15%
Non-instructional programs	3	-	1,199	1,144	1,202	1,144	5.07%
Other expenses	<u>1,707</u>	<u>1,031</u>	<u>-</u>	<u>-</u>	<u>1,707</u>	<u>1,031</u>	<u>65.57%</u>
Total expenses	<u>19,528</u>	<u>18,674</u>	<u>1,199</u>	<u>1,144</u>	<u>20,727</u>	<u>19,818</u>	<u>4.59%</u>
Change in net assets	<u>1,464</u>	<u>1,455</u>	<u>(25)</u>	<u>47</u>	<u>1,439</u>	<u>1,502</u>	<u>-4.19%</u>

Property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 86% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$21,278,973 and expenses were \$19,527,774.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-5</b> <b>Total and Net Cost of Governmental Activities</b> <b>(Expressed in Thousands)</b>						
	<b>Total Cost of Services</b>		<b>Net Change</b>	<b>Net Cost of Services</b>		<b>Net Change</b>
	<b>2007</b>	<b>2006</b>	<b>2006-07</b>	<b>2007</b>	<b>2006</b>	<b>2006-07</b>
	\$	\$		\$	\$	%
Instruction	12,089	12,442	-2.84%	7,319	7,726	-5.27%
Support Services	5,729	5,201	10.15%	5,702	5,083	12.18%
Non-instructional programs	3	-	100.00%	3	-	100.00%
Other expenses	1,707	1,031	65.57%	916	423	116.55%
<b>Totals</b>	<b>19,528</b>	<b>18,674</b>	<b>4.57%</b>	<b>13,940</b>	<b>13,232</b>	<b>5.35%</b>

- The cost financed by users of the District's programs was \$1,149,610.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,194,788.
- The net cost of governmental activities was financed with \$5,027,006 in property tax, \$8,884,369 in state foundation aid, and \$242,013 in interest income.

## Business Type Activities

Revenues of the District's business type activities were \$1,173,942 and expenses were \$1,199,336. The District's business type activities include the School Nutrition and Community Education Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Expenses increases outpaced revenues resulting in a 7% decrease in fund balance from the prior year.

## INDIVIDUAL FUND ANALYSIS

As previously noted the Storm Lake Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$12,668,691, 13 percent over last year's ending fund balances of \$11,204,172. This was primarily due to increases in the Capital Projects Fund.

## **Governmental Fund Highlights**

- The District General Fund balance decreased due to revenues not keeping pace with increased expenses, primarily personnel costs.
- Buena Vista County has implemented the one cent sales tax for school districts since 2004. The District collected over \$980,000 in fiscal year 2007.

## **Proprietary Fund Highlights**

Federal reimbursements increased due to increased participation in Federal nutrition programs. The number of reimbursable lunches increased by over 3% from the prior year.

## **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 34 and 35.

## **Legal Budgetary Highlights**

The District's total actual receipts were approximately \$1,000,000 more than the total budgeted receipts, a variance of less than 5%. The most significant change resulted in the District receiving more in federal grant revenues than originally anticipated.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

The District did amend the 2006-07 budget as follows:

Increased the Support Services function from \$5,757,162 to \$6,257,162 (\$500,000) to meet actual expenditures.

Decreased the Instruction function from \$14,587,389 to \$14,087,389 (\$500,000) to meet actual expenditures.

Decreased other expenditures by \$3,000 to meet actual expenditures.

The District's total requirements & tax levies were not affected by this amendment.

## **CAPTIAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

By the end of 2007, the District has invested more than \$8.2 million, net of accumulated depreciation, in a broad range of capital assets including school buildings, athletic facilities, central kitchen, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. Total depreciation expense for the year exceeded \$650,000.

## **Long - Term Debt**

The \$3.1 million dollar Middle School bond issue will fully mature May 2010, \$1,245,000 remains outstanding on that issue. In May 2007, the District issued \$5.5 million in GO Bonds and \$3.055 million in Local Option Sales Tax (LOST) Revenue Bonds for the purpose of constructing a new Elementary school. The District anticipates issuing an additional \$5.6 million on LOST Bonds in the Spring of 2008 to complete the Elementary building project financing. The debt service on all three issues will be abated with the District's Local Options Sales Tax revenues.

## **FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District experienced an increase of approximately 61 students in the 2006-2007 school year. Early projections would indicate a slight decrease in official enrollment for the 2007-08 school year. The District is optimistic that enrollments will remain steady or increase slightly in the future.
- Health insurance costs continue to be a concern for the District. Increased rates based on usage have brought this issue to the forefront when calculating the District's budget.
- Once again un-funded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind" and "Student Achievement and Teacher Quality Act" to name a few.
- The District was identified as a recipient of a 21<sup>st</sup> Century Learning Center Grant beginning with the 2004-05 school year. The award is \$2.125 million over 5 years to fund the District's Elementary Before and After School Program. The District will be required to maintain the program in years 4 and 5 with decreased grant revenues.
- Voters in Buena Vista County approved a 1 cent School Infrastructure Local Option (SILO) tax in December 2003, with an effective date of July 1, 2004. In December 2006, voters overwhelmingly approved extending the SILO tax through December 31, 2022.
- Voters in Sac County approved a 1 cent School Infrastructure Local Option (SILO) Sales tax in September 2003. The Sac County SILO tax went into effect on January 1, 2004.
- The Board of Education intends to accumulate the SILO funds for several years to buy down the debt on a proposed elementary building. As of June 30, 2007, over \$2.8 million has been accumulated towards this goal. Construction began in the Spring of 2007 and the District anticipates completion of the project in the Summer of 2009.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Paul Tedesco, Superintendent, Storm Lake Community School District, 419 Lake Ave, Storm Lake, Iowa 50588.

## **Basic Financial Statements**

## STORM LAKE COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	14,743,039	153,765	14,896,804
ISCAP investments	1,442,717	-	1,442,717
Receivables:			
Property tax:			
Current year	55,632	-	55,632
Succeeding year	5,184,552	-	5,184,552
Income surtaxes	221,003	-	221,003
Due from other governments	1,111,689	7,989	1,119,678
Other receivables	250	8,837	9,087
Inventories	-	13,151	13,151
Restricted assets (note 11):			
ISCAP accrued interest receivable	431	-	431
Capital assets, net of accumulated depreciation (note 3)	8,165,039	120,583	8,285,622
<b>Total assets</b>	<b>30,924,352</b>	<b>304,325</b>	<b>31,228,677</b>
<b>Liabilities and Fund Balance</b>			
Liabilities:			
Accounts payable	272,050	2,381	274,431
Accrued salary and benefits	1,515,898	2,619	1,518,517
Accrued interest payable	27,083	-	27,083
ISCAP warrants payable (note 11)	1,445,000	-	1,445,000
ISCAP accrued interest payable (note 11)	11,078	-	11,078
Deferred revenue:			
Succeeding year property tax	5,184,552	-	5,184,552
Long term liabilities:			
Portion due within one year:			
General obligation bonds payable	485,000	-	485,000
Portion due after one year:			
Revenue bonds payable	3,055,000	-	3,055,000
General obligation bonds payable	6,260,000	-	6,260,000
Total liabilities	18,255,661	5,000	18,260,661
Net assets:			
Invested in capital assets, net of related debt	6,920,039	120,583	7,040,622
Restricted for:			
Physical plant and equipment levy	194,647	-	194,647
Debt service	33,998	-	33,998
Capital projects	2,826,596	-	2,826,596
Health benefits	668,215	-	668,215
Unrestricted	2,025,196	178,742	2,203,938
<b>Total net assets</b>	<b>12,668,691</b>	<b>299,325</b>	<b>12,968,016</b>

See notes to financial statements.



## STORM LAKE COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2007

	Program Revenues		Net (Expense) Revenues and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Total
	\$	\$	\$	\$
Functions/Programs				
Governmental activities:				
Instruction:	12,089,485	1,145,304	3,625,391	(7,318,790)
Support services:				
Student services	699,051	-	-	(699,051)
Instructional staff services	661,859	-	-	(661,859)
Administration services	2,051,335	-	-	(2,051,335)
Operation and maintenance of plant services	1,688,205	-	22,207	(1,665,998)
Transportation services	628,348	4,306	-	(624,042)
	5,728,798	4,306	22,207	(5,702,285)
Noninstructional programs				
Food service operations	2,988	-	-	(2,988)
Other expenditures:				
Facilities acquisition and construction	399,260	-	142,914	(256,346)
Long-term debt interest	63,251	-	1,069	(62,182)
AEA flowthrough	646,571	-	646,571	-
Depreciation (unallocated)*	597,421	-	-	(597,421)
	1,706,503	-	790,554	(915,949)
Total governmental activities	19,527,774	1,149,610	4,438,152	(13,940,012)
				(13,940,012)

STORM LAKE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

	Program Revenues		Net (Expense) Revenues and Changes in Net Assets	
	Operating Grants, Contributions and Restricted Interest		Business Type Activities	
Expenses	Charges for Service		Governmental Activities	Total
\$	\$	\$	\$	\$
995,613	393,621	587,496	-	(14,496)
203,723	191,092	1,733	-	(10,898)
20,727,110	1,734,323	5,027,381	(13,940,012)	(13,965,406)
Business type activities:				
Non-instructional programs:				
Nutrition services				
Community education				
Total				
General revenues:				
Property tax levied for:				
General purposes				
Management fund				
Debt service				
Capital outlay				
Local option sales taxes				
Income surtaxes:				
General purposes				
Capital outlay				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Premium on issuance of bonds				
Undepreciated basis of fixed assets disposed of during year				
Total general revenue				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

\* This amount excludes the depreciation that is included in the direct expense of the various programs.  
See notes to financial statements.

## STORM LAKE COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2007

	Assets				
	General	Physical Plant and Equipment Levy	Debt Service	Capital Projects	Nonmajor
	\$	\$	\$	\$	\$
Cash and pooled investments	2,302,050	241,790	28,219	11,224,076	278,689
ISCAP investments	1,442,717	-	-	-	-
Receivables:					
Property tax:					
Current year	44,666	1,320	5,779	-	3,867
Succeeding year	4,192,194	142,202	500,156	-	350,000
Income surtax	73,668	147,335	-	-	-
Due from other governments	953,596	573	-	157,520	-
Other receivables	250	-	-	-	-
ISCAP accrued interest receivable	431	-	-	-	-
<b>Total assets</b>	<u>9,009,572</u>	<u>533,220</u>	<u>534,154</u>	<u>11,381,596</u>	<u>632,556</u>
					<u>22,091,098</u>
Liabilities:					
Accounts payable	221,833	49,036	-	-	1,181
Accrued salary and benefits	1,515,898	-	-	-	-
ISCAP warrants payable	1,445,000	-	-	-	-
ISCAP accrued interest payable	11,078	-	-	-	-
Deferred revenue:					
Succeeding year property tax	4,192,194	142,202	500,156	-	350,000
Income surtaxes	73,668	147,335	-	-	-
Total liabilities	<u>7,459,671</u>	<u>338,573</u>	<u>500,156</u>	<u>-</u>	<u>351,181</u>
					<u>8,649,581</u>
Fund balances:					
Reserved for debt service	-		33,998	-	-
Reserved for capital projects	-		-	11,381,596	-
Unreserved, designated for special purposes	160,893		-	-	-
Unreserved, undesignated	1,389,008	194,647	-	-	281,375
Total fund balances	<u>1,549,901</u>	<u>194,647</u>	<u>33,998</u>	<u>11,381,596</u>	<u>281,375</u>
					<u>13,441,517</u>
<b>Total liabilities and fund balances</b>	<u>9,009,572</u>	<u>533,220</u>	<u>534,154</u>	<u>11,381,596</u>	<u>632,556</u>
					<u>22,091,098</u>

See notes to financial statements.

## STORM LAKE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2007

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 13,441,517
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Income surtax receivable at June 30, 2007 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	221,003
Internal Service fund assets that are to be included with governmental funds.	620,622
Flex Spending fund assets that are to be included with governmental funds.	47,593
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,165,039
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(27,083)
Long-term liabilities, including bonds payable and capital loan notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(9,800,000)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u>\$ 12,668,691</u>

See notes to financial statements.

## STORM LAKE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2007

	General	Physical Plant and Equipment Levy	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	4,105,883	246,084	515,100	1,207,010	349,990	6,424,067
Tuition	1,103,062	-	-	-	-	1,103,062
Other	498,969	1,274	700	142,914	334,731	978,588
State sources	10,507,006	86	369	-	253	10,507,714
Federal sources	2,218,014	-	-	-	-	2,218,014
Total revenues	18,432,934	247,444	516,169	1,349,924	684,974	21,231,445
Expenditures:						
Instruction:	12,370,039	-	-	-	387,661	12,757,700
Support services:						
Student services	696,495	-	-	-	2,556	699,051
Instructional staff services	606,186	54,000	-	-	1,673	661,859
Administration services	2,009,288	-	-	-	42,047	2,051,335
Operation and maintenance of plant services	1,568,440	1,900	-	-	117,865	1,688,205
Transportation services	559,149	-	-	-	28,236	587,385
	5,439,558	55,900	-	-	192,377	5,687,835
Noninstructional programs						
Food service operations	-	-	-	-	2,988	2,988

STORM LAKE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2007

	General	Physical Plant and Equipment Levy	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$	\$
Other expenditures:						
Facilities acquisition and construction	-	66,037	-	498,677	-	564,714
Long-term debt:						
Principal	-	-	475,000	-	-	475,000
Interest	-	-	39,456	-	-	39,456
AEA flowthrough	646,571	-	-	-	-	646,571
	<u>646,571</u>	<u>66,037</u>	<u>514,456</u>	<u>498,677</u>	<u>-</u>	<u>1,725,741</u>
Total expenditures	<u>18,456,168</u>	<u>121,937</u>	<u>514,456</u>	<u>498,677</u>	<u>583,026</u>	<u>20,174,264</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(23,234)</u>	<u>125,507</u>	<u>1,713</u>	<u>851,247</u>	<u>101,948</u>	<u>1,057,181</u>
Other financing sources (uses):						
Sale of equipment and materials	253	-	-	-	-	253
General obligation bond proceeds	-	-	-	5,500,000	-	5,500,000
Revenue bond proceeds	-	-	-	3,055,000	-	3,055,000
Premium on issuance of bonds	-	-	-	50,668	-	50,668
	<u>253</u>	<u>-</u>	<u>-</u>	<u>8,605,668</u>	<u>-</u>	<u>8,605,921</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>(22,981)</u>	<u>125,507</u>	<u>1,713</u>	<u>9,456,915</u>	<u>101,948</u>	<u>9,663,102</u>
Fund balances beginning of year	<u>1,572,882</u>	<u>69,140</u>	<u>32,285</u>	<u>1,924,681</u>	<u>179,427</u>	<u>3,778,415</u>
Fund balances end of year	<u>1,549,901</u>	<u>194,647</u>	<u>33,998</u>	<u>11,381,596</u>	<u>281,375</u>	<u>13,441,517</u>

See notes to financial statements.

## STORM LAKE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2007

<b>Net change in fund balances - total governmental funds (Exhibit E)</b>		<b>\$ 9,663,102</b>
<b>Amounts reported for governmental activities in the statement of activities are different because:</b>		
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities		47,528
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:		
Capital outlays	\$ 165,454	
Depreciation expense	<u>(638,384)</u>	(472,930)
Undepreciated basis of fixed assets disposed of during year		(337,601)
Issuance of long-term debt is a financing source in the governmental funds, but it increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities		(8,555,000)
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.		475,000
Internal Service Fund transactions are not reported in the General Fund as revenues and expenditures, however the General Fund is the source of these revenues and use of the expenditures		620,622
Flex Spending Fund transactions are not reported in the General Fund as revenues and expenditures, however the General Fund is the source of these revenues and use of the expenditures		47,593
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		<u>(23,795)</u>
<b>Change in net assets of governmental activities (Exhibit B)</b>		<b><u>\$ 1,464,519</u></b>

See notes to financial statements.

**STORM LAKE COMMUNITY SCHOOL DISTRICT**Combining Statement of Net Assets  
Proprietary Funds

Year ended June 30, 2007

	Business Type			Governmental Activities		
	School Nutrition	Community Education	Total	Internal Service	Flex Spending	Total
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Cash	147,789	5,976	153,765	620,622	47,593	668,215
Due from other governments	7,989	-	7,989	-	-	-
Other receivables	6,051	2,786	8,837	-	-	-
Inventories	13,151	-	13,151	-	-	-
Capital assets, net of accumulated depreciation	102,333	18,250	120,583	-	-	-
<b>Total assets</b>	<u>277,313</u>	<u>27,012</u>	<u>304,325</u>	<u>620,622</u>	<u>47,593</u>	<u>668,215</u>
<b>Liabilities</b>						
Accounts payable	2,194	187	2,381	-	-	-
Accrued salary and benefits	-	2,619	2,619	-	-	-
<b>Total liabilities</b>	<u>2,194</u>	<u>2,806</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net assets</b>						
Invested in capital assets, net of related debt	102,333	18,250	120,583	-	-	-
Restricted for health benefits	-	-	-	620,622	47,593	668,215
Unrestricted	172,786	5,956	178,742	-	-	-
<b>Total net assets</b>	<u>275,119</u>	<u>24,206</u>	<u>299,325</u>	<u>620,622</u>	<u>47,593</u>	<u>668,215</u>

See notes to financial statements.



**STORM LAKE COMMUNITY SCHOOL DISTRICT**

Combining Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds

Year ended June 30, 2007

	Business Type		Governmental Activities		
	School Nutrition	Community Education	Total	Internal Services	Flex Spending
	\$	\$	\$	\$	\$
Operating revenue:					
Local sources:					
Charges for services	393,621	191,092	584,713	2,451,713	273,810
					2,725,523
Operating expenses:					
Non-instructional programs:					
Food service operations:					
Salaries	65,842	-	65,842	-	-
Benefits	28,942	-	28,942	-	-
Services	330,526	-	330,526	-	-
Supplies	550,052	-	550,052	-	-
Depreciation	20,251	-	20,251	-	-
	995,613	-	995,613	-	-
Other enterprise operations:					
Salaries	-	117,720	117,720	-	-
Benefits	-	36,190	36,190	-	-
Services	-	12,414	12,414	-	-
Supplies	-	36,464	36,464	-	-
Depreciation	-	935	935	-	-
	-	203,723	203,723	-	-
Internal service programs:					
Benefits	-	-	-	1,831,091	226,217
					2,057,308
Total operating expenses	995,613	203,723	1,199,336	1,831,091	226,217
					2,057,308

**STORM LAKE COMMUNITY SCHOOL DISTRICT**

Combining Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds

Year ended June 30, 2007

	Business Type		Governmental Activities		
	School Nutrition	Community Education	Internal Services	Flex Spending	Total
	\$	\$	\$	\$	\$
Operating income (loss)	(601,992)	(12,631)	620,622	47,593	668,215
Non-operating revenues:					
Interest on investments	1,291	187	-	-	-
State sources	10,574	-	-	-	-
Federal sources	575,631	1,546	-	-	-
	587,496	1,733	-	-	-
Net income (loss)	(14,496)	(10,898)	620,622	47,593	668,215
Net assets beginning of year	289,615	35,104	-	-	-
Net assets end of year	275,119	24,206	620,622	47,593	668,215

See notes to financial statements.

## STORM LAKE COMMUNITY SCHOOL DISTRICT

Combining Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2007

	School Nutrition	Community Education	Total	Internal Services	Flex Spending	Total
	\$	\$	\$	\$	\$	\$
Cash flows from operating activities:						
Cash received from sale of services	389,319	214,356	603,675	2,451,713	273,810	2,725,523
Cash payments to employees for services	(96,473)	(183,914)	(280,387)	(1,831,091)	(226,217)	(2,057,308)
Cash payments to suppliers for goods or services	(884,122)	(49,780)	(933,902)	-	-	-
Net cash provided by (used in) operating activities	(591,276)	(19,338)	(610,614)	620,622	47,593	668,215
Cash flows from non-capital financing activities:						
State grants received	10,574	-	10,574	-	-	-
Federal grants received	536,718	21,572	558,290	-	-	-
Net cash provided by non-capital financing activities	547,292	21,572	568,864	-	-	-
Cash flows from capital financing activities:						
Acquisition of fixed assets	-	-	-	-	-	-
Cash flows from investing activities:						
Interest on investments	1,291	176	1,467	-	-	-
Net increase (decrease) in cash and cash equivalents	(42,693)	2,410	(40,283)	620,622	47,593	668,215
Cash and cash equivalents beginning of year	190,482	12,245	202,727	-	-	-
Cash and cash equivalents end of year	147,789	14,655	162,444	620,622	47,593	668,215

**STORM LAKE COMMUNITY SCHOOL DISTRICT**

Combining Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2007

	School Nutrition	Community Education	Total	Internal Services	Flex Spending	Total
	\$	\$	\$	\$	\$	\$
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>						
Operating income (loss)	(601,992)	(12,631)	(614,623)	620,622	47,593	668,215
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:						
Depreciation	12,003	935	12,938	-	-	-
Commodities used	38,769	-	38,769	-	-	-
(Increase) in other receivables	(4,302)	(1,900)	(6,202)	-	-	-
(Increase) in inventory	(264)	-	(264)	-	-	-
Increase in accounts payable	(33,801)	402	(33,399)	-	-	-
Increase (decrease) in accrued payroll and benefits	(1,689)	1,686	(3)	-	-	-
	<u>(591,276)</u>	<u>(11,508)</u>	<u>(602,784)</u>	<u>620,622</u>	<u>47,593</u>	<u>668,215</u>

**Reconciliation of cash and cash equivalents at year end to  
specific assets included on Combined Balance Sheet:**

Current assets:	
Cash	<u>147,789</u>
	<u>14,655</u>
	<u>162,444</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2007, the District received federal commodities valued at \$38,769.

# STORM LAKE COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2007

### (1) Summary of Significant Accounting Policies

Storm Lake Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Storm Lake, Iowa, and agricultural territory in Buena Vista and Sac Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Storm Lake Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Storm Lake Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Buena Vista County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of Interfund activity has been removed from these statements. Governmental activities which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Physical Plant and Equipment Levy is used to purchase equipment (over \$500 per item) and for major repairs and improvements to buildings and grounds. It is funded primarily through a combination of property tax and income surtax.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition and Community Education Funds. These funds are used to account for the food service and community wide education operations of the District.

The District's internal service funds are also reported as proprietary funds. The internal service funds are used to account for the District's self-insured health insurance plan and employee flexible benefit plan.

#### C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.



Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2007.

Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures did not exceed the amounts budgeted in any of the four functions.

## (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Joint Investment Trust, as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$8,194,452</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	<u>860,325</u>	<u>-</u>	<u>-</u>	<u>860,325</u>
Capital assets being depreciated:				
Improvements other than buildings	954,935	-	-	954,935
Buildings	9,901,441	37,647	-	9,939,088
Furniture and Equipment	<u>4,688,569</u>	<u>127,807</u>	<u>337,601</u>	<u>4,478,775</u>
Total capital assets being depreciated	<u>15,544,945</u>	<u>165,454</u>	<u>337,601</u>	<u>15,372,798</u>
Less accumulated depreciation for:				
Improvements other than buildings	605,359	19,552	-	624,911
Buildings	3,711,499	351,033	-	4,062,532
Furniture and Equipment	<u>3,112,842</u>	<u>267,799</u>	<u>-</u>	<u>3,380,641</u>
Total accumulated depreciation	<u>7,429,700</u>	<u>638,384</u>	<u>-</u>	<u>8,068,084</u>
Total capital assets being depreciated, net	<u>8,115,245</u>	<u>(472,930)</u>	<u>337,601</u>	<u>7,304,714</u>
Governmental activities, capital assets, net	<u>8,975,570</u>	<u>(472,930)</u>	<u>337,601</u>	<u>8,165,039</u>
<b>Business type activities</b>				
Furniture and Equipment	445,635	-	4,205	441,430
Less accumulated depreciation	<u>303,866</u>	<u>21,186</u>	<u>4,205</u>	<u>320,847</u>
Business type activities capital assets, net	<u>141,769</u>	<u>(21,186)</u>	<u>-</u>	<u>120,583</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Student transportation				40,963
Unallocated				<u>597,421</u>
				<u>638,384</u>
Business type activities:				
Food service operations				20,251
Other business type activities				<u>935</u>
				<u>21,186</u>

#### (4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$1,720,000	5,500,000	475,000	6,475,000	485,000
Revenue bonds	-	3,055,000	-	3,055,000	-
Total	<u>\$1,720,000</u>	<u>8,555,000</u>	<u>475,000</u>	<u>9,800,000</u>	<u>485,000</u>

##### General Obligation Bonds

Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2007			Bond Issue of May 1, 2003		
	Interest	Principal	Interest	Interest	Principal	Interest
	Rates %			Rates %		
2008	-	-	216,318	2.300-2.450	485,000	29,125
2009	-	-	216,318	2.500-2.650	500,000	17,300
2010	4.000	250,000	216,318	2.800-3.000	260,000	5,240
2011	4.000	345,000	206,318	-	-	-
2012	4.000	360,000	192,518	-	-	-
2013-2017	3.875-4.000	2,040,000	733,990	-	-	-
2018-2022	3.875	2,505,000	299,342	-	-	-
Total		<u>5,500,000</u>	<u>2,081,122</u>		<u>1,245,000</u>	<u>51,665</u>

##### Revenue Bonds

Details of the District's June 30, 2007 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May 1, 2007			
	Interest	Principal	Interest	Total
	Rates %			
2008	-	-	79,558	79,558
2009	-	-	119,337	119,337
2010	-	-	119,338	119,338
2011	-	-	119,337	119,337
2012	3.600	100,000	119,338	219,338
2013-2017	3.650-3.800	825,000	509,619	1,334,619
2018-2023	3.850-4.000	2,130,000	295,850	2,425,850
Total		<u>3,055,000</u>	<u>1,362,377</u>	<u>4,417,377</u>

The local option sales and services tax revenue bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a. \$305,500 of the proceeds from the issuance of the revenue bonds has been deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.

- b. All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c. Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d. Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The Revenue Account was established after July 1, 2007 as that is when the designated monies were received.

**(5) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$642,749, \$606,458, and \$584,213 respectively, equal to the required contributions for each year.

**(6) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$646,571 for year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(7) Early Retirement**

The District offers a voluntary early retirement plan to its certified and non-certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the employee's salary calculated by using the current year regular salary schedule, less the current year base pay. Early retirement benefits paid during the year ended June 30, 2007 totaled \$31,408.

**(8) Commitments**

The District had issued \$8,555,000 in general obligation and revenue bonds to be used for the construction of a new elementary. All bids were let after the end of the fiscal year.

(9) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2007 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investment</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2007-08A	6/26/07	6/26/08	<u>\$1,442,717</u>	<u>431</u>	<u>1,445,000</u>	<u>11,078</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2007 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2006-07A	\$ <u>      -</u>	<u>      -</u>	<u>      -</u>	<u>      -</u>

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2006-07A	4.500%	5.676%
2007-08A	4.500%	5.455%

## **Required Supplementary Information**

**STORM LAKE COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final	
	\$	\$	\$	\$	\$	\$
<b>Revenues:</b>						
Local sources	8,505,717	586,191	9,091,908	8,997,818	8,997,818	94,090
State sources	10,507,714	10,574	10,518,288	10,760,643	10,760,643	(242,355)
Federal sources	2,218,014	577,177	2,795,191	2,715,000	2,715,000	80,191
Total revenues	<u>21,231,445</u>	<u>1,173,942</u>	<u>22,405,387</u>	<u>22,473,461</u>	<u>22,473,461</u>	<u>(68,074)</u>
<b>Expenditures:</b>						
Instruction	12,757,700	-	12,757,700	14,587,389	14,087,389	1,329,689
Support services	5,687,835	-	5,687,835	5,757,162	6,257,162	569,327
Non-instructional programs	2,988	1,199,336	1,202,324	1,430,000	1,430,000	227,676
Other expenditures	1,725,741	-	1,725,741	4,029,615	4,026,615	2,300,874
Total expenditures	<u>20,174,264</u>	<u>1,199,336</u>	<u>21,373,600</u>	<u>25,804,166</u>	<u>25,801,166</u>	<u>4,427,566</u>
Excess (deficiency) of revenues over (under) expenditures	1,057,181	(25,394)	1,031,787	(3,330,705)	(3,327,705)	4,359,492
Other financing sources (uses)	<u>8,605,921</u>	<u>-</u>	<u>8,605,921</u>	<u>-</u>	<u>-</u>	<u>8,605,921</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	9,663,102	(25,394)	9,637,708	(3,330,705)	(3,327,705)	12,965,413
Balance beginning of year	<u>3,778,415</u>	<u>324,719</u>	<u>4,103,134</u>	<u>4,782,357</u>	<u>4,782,357</u>	<u>(679,223)</u>
Balance end of year	<u>13,441,517</u>	<u>299,325</u>	<u>13,740,842</u>	<u>1,451,652</u>	<u>1,454,652</u>	<u>12,286,190</u>

See accompanying independent auditor's report.

## **STORM LAKE COMMUNITY SCHOOL DISTRICT**

### **Notes to Required Supplementary Information - Budgetary Reporting**

Year ended June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment that decreased budgeted expenditures by \$3,000.

During the year ended June 30, 2007, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.



## **Other Supplementary Information**

## STORM LAKE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet  
Nonmajor Special Revenue Funds

June 30, 2007

	<u>Management</u>	<u>Student</u> <u>Activity</u>	<u>Total</u>
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	182,834	95,855	278,689
Property tax receivable:			
Current year	3,867	-	3,867
Succeeding year	<u>350,000</u>	<u>-</u>	<u>350,000</u>
<b>Total assets</b>	<u>536,701</u>	<u>95,855</u>	<u>632,556</u>
<b>Liabilities and Fund Balance</b>			
Liabilities:			
Accounts payable	1,181	-	1,181
Deferred revenue:			
Succeeding year property tax	<u>350,000</u>	<u>-</u>	<u>350,000</u>
	<u>351,181</u>	<u>-</u>	<u>351,181</u>
Fund balance:			
Unreserved fund balances	<u>185,520</u>	<u>95,855</u>	<u>281,375</u>
<b>Total liabilities and fund balances</b>	<u>536,701</u>	<u>95,855</u>	<u>632,556</u>

See accompanying independent auditor's report.

## STORM LAKE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Special Revenue Funds

Year ended June 30, 2007

	Management	Student Activity	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	349,990	-	349,990
Other	20,594	314,137	334,731
State sources	253	-	253
Total revenues	<u>370,837</u>	<u>314,137</u>	<u>684,974</u>
Expenditures:			
Instruction:	83,302	304,359	387,661
Support services:			
Student services	2,556	-	2,556
Instructional staff support	1,673	-	1,673
Administration services	42,047	-	42,047
Plant operation and maintenance	117,865	-	117,865
Student transportation	28,236	-	28,236
Noninstructional programs:			
Food service operations	2,988	-	2,988
Total expenditures	<u>278,667</u>	<u>304,359</u>	<u>583,026</u>
Excess (deficiency) of revenues over (under) expenditures	92,170	9,778	101,948
Fund balances beginning of year	<u>93,350</u>	<u>86,077</u>	<u>179,427</u>
Fund balances end of year	<u>185,520</u>	<u>95,855</u>	<u>281,375</u>

See accompanying independent auditor's report.

## STORM LAKE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Individual Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Hi Breeze	66	-	-	66
Breeze of 2007	-	19,286	17,491	1,795
Breeze of 2008	2,471	-	2,471	-
Art Club	864	3,351	3,250	965
Kreative Kitchens	702	2,513	2,247	968
FACS	4,145	5,668	7,252	2,561
Nado Nook	310	11,187	10,669	828
International Club	263	253	460	56
Spanish Club	570	1,133	1,283	420
Key Club	294	368	484	178
Thespian Club	257	-	65	192
Library Club	192	-	-	192
PIC	231	-	-	231
Close-Up	135	-	-	135
Cheerleaders	1,711	8,749	6,386	4,074
Dance Squad	1,994	7,917	7,743	2,168
Student Council	(393)	27,146	26,337	416
Class of 2010	-	500	500	-
Class of 2011	1,742	45	1,787	-
Clasas of 2008	-	11,708	10,740	968
School Play	2,524	-	-	2,524
Speech	3,660	2,319	2,568	3,411
School Musical	3,276	4,399	3,959	3,716
All State Music	(11)	3,744	3,733	-
Instrumental Rental	566	620	-	1,186
Stage Band	43	1,000	1,000	43
Vocal Music	405	2,688	2,304	789
Chamber Singers	319	-	-	319
Orchestra	700	361	459	602
Academic Enrichment	5,132	3,268	4,410	3,990
School Improvement	8,045	28,710	34,083	2,672
Drama/Musical	1,389	-	-	1,389
Concessions	4,541	-	1,275	3,266
Interest	5,273	624	5,633	264
Star Club	128	-	-	128
DECA	378	11,658	10,313	1,723
Technology Club	542	65	23	584
Instrumental Resale	104	1,704	1,807	1
Alternative HS	1,124	689	759	1,054
VICA Club	131	52	-	183
ACE	2,342	8,185	7,178	3,349
Industrial Arts Club	23	225	-	248
Model UN	275	-	-	275
Guidance Office	462	379	185	656
General Athletics	26,304	44,886	26,768	44,422

## STORM LAKE COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Individual Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
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Concessions	4,541	-	1,275	3,266
Interest	5,273	624	5,633	264
Star Club	128	-	-	128
DECA	378	11,658	10,313	1,723
Technology Club	542	65	23	584
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STORM LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Individual Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Balance End of Year \$
Volleyball	-	8,002	8,002	-
Cross Country	-	1,073	1,073	-
Boys Basketball	-	8,776	8,776	-
Football	-	16,289	16,289	-
Boys Soccer	-	4,829	4,829	-
Baseball	-	7,533	7,533	-
Boys Track	-	6,826	6,826	-
Boys Tennis	-	1,604	1,604	-
Boys Golf	-	1,975	1,975	-
Boys Swimming	-	1,125	1,125	-
Wrestling	-	7,143	7,143	-
Girls Basketball	-	7,836	7,836	-
Girls Soccer	-	4,250	4,250	-
Softball	-	10,696	10,696	-
Girls Track	-	7,156	7,156	-
Girls Tennis	-	1,055	1,055	-
Girls Golf	-	156	156	-
Girls Swimming	-	2,413	2,413	-
Middle School Activities	2,848	-	-	2,848
Grand total	86,077	314,137	304,359	95,855

See accompanying independent auditor's report.

## STORM LAKE COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	6,424,067	6,324,196	6,220,883	5,323,603
Tuition	1,103,062	1,200,001	1,242,735	1,218,276
Other	978,588	880,274	656,852	735,030
State sources	10,507,714	9,284,350	9,058,775	8,356,506
Federal sources	2,218,014	2,429,642	2,140,287	1,478,466
Total	<u>21,231,445</u>	<u>20,118,463</u>	<u>19,319,532</u>	<u>17,111,881</u>
Expenditures:				
Instruction	12,757,700	12,605,490	11,878,616	11,877,850
Support services:				
Student	699,051	611,262	436,231	495,212
Instructional staff	661,859	842,155	612,465	191,888
Administration	2,051,335	1,830,017	1,654,095	1,385,254
Operation and maintenance of plant	1,688,205	1,744,242	1,525,999	1,334,772
Transportation	587,385	405,597	389,466	336,087
Central support	-	-	15,723	92,983
Noninstructional programs				
Food service operations	2,988	-	5,000	-
Community service operation	-	-	51,000	51,000
Other expenditures:				
Facilities acquisition	564,714	300,168	73,402	557,907
Debt Service				
Principal	475,000	530,000	515,000	520,000
Interest and service charges	39,456	51,243	60,428	43,490
AEA flowthrough	646,571	591,183	586,325	568,957
Total	<u>20,174,264</u>	<u>19,511,357</u>	<u>17,803,750</u>	<u>17,455,400</u>

See accompanying independent auditor's report.

## STORM LAKE COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Direct:			
U.S. Corporation for National and Community Service: Americorps	94.006	FY07	1,546
U.S. Department of Education: 21st Century Community Learning Centers Program	84.287	FY07	492,640
Indirect:			
U.S. Department of Agriculture: Iowa Department of Education: Food Distribution (non-cash)	10.550	FY07	38,769
Team Nutrition	10.574	FY07	1,500
Iowa Nutrition Network Basics	10.561	FY07	12,727
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY07	102,281
National School Lunch Program	10.555	FY07	425,047
			<u>527,328</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	6219-G-07 6219-SI-07	384,658 101,198
Migrant Education - Basic State Grant Program	84.011	6219-MC-07	196,610
Grants for Assessments and Related Activities	84.369	FY07	14,238
Innovative Education Program Strategies	84.298	FY07	4,307
Even Start Statewide Family Literacy Program	84.314	FY07	68,157
Improving Teacher Quality - Grants to States	84.348	FY07	72,533
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY07	10,785



**STORM LAKE COMMUNITY SCHOOL DISTRICT**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Comprehensive School Reform Grant	84.332	FY07	37,775
Charter Schools Program	84.282	FY07	251,445
Special Education - State Program Improvement Grants for Children with Disabilities	84.326	FY07	11,210
Special Education Technical Assistance and Dissemination to Improve Services & Results for Children with Disabilities	84.327	FY07	300
Prairie Lakes Area Educational Agency:			
Special Education - Grants to States (IDEA Part B)	84.027	FY07	121,457
Special Education - Preschool Grants	84.173	FY07	375
English Language Acquisition States Grants	84.365A	FY07	<u>96,595</u>
Total			<u><u>2,446,153</u></u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Storm Lake Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basis financial statements.

# BRUCE D. FRINK

Certified Public Accountant

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

**Member:**

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

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- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
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- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

**Plus:**

- Over 25 years of Expertise and Experience
- Evenings & Saturdays Available
- Extended Hours During Tax Season

To the Board of Education of  
Storm Lake Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Storm Lake Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 19, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Storm Lake Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Storm Lake Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Storm Lake Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Storm Lake Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Storm Lake Community School District's financial statements that is more than inconsequential will not be prevented or detected by Storm Lake Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 07-II-A is a material weakness.

#### Compliance and Other Matters

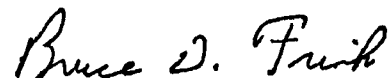
As part of obtaining reasonable assurance about whether Storm Lake Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. We noted instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Storm Lake Community School District's response to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Storm Lake Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Storm Lake Community School District and other parties to whom Storm Lake Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Storm Lake Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



**BRUCE D. FRINK**  
**Certified Public Accountant**

February 19, 2008

# BRUCE D. FRINK

Certified Public Accountant

**Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control  
over Compliance in Accordance with OMB Circular A-133**

**Member:**

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- Iowa Society of Certified Public Accountants

**Services:**

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- I.R.S. Representation
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- Data Processing Services
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- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

**Plus:**

- Over 25 years of Expertise and Experience
- Evenings & Saturdays Available
- Extended Hours During Tax Season

To the Board of Education of  
Storm Lake Community School District:

**Compliance**

We have audited the compliance of Storm Lake Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Storm Lake Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Storm Lake Community School District's management. Our responsibility is to express an opinion on Storm Lake Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Storm Lake Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Storm Lake Community School District's compliance with those requirements.

In our opinion Storm Lake Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

**Internal Control Over Compliance**

The management of Storm Lake Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Storm Lake Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Storm Lake Community School District's internal control over compliance.


Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-III-A to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-III-A to be material weakness.

Storm Lake Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Storm Lake Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Storm Lake Community School District and other parties to whom Storm Lake Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



**BRUCE D. FRINK**  
**Certified Public Accountant**

February 19, 2008

**STORM LAKE COMMUNITY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs**

Year ended June 30, 2007

**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.010 - Title I Grants to Local Education Agencies
  - CFDA Number 84.287 - 21<sup>st</sup> Century Community Learning Centers Program.School Nutrition Clustered Programs:
  - CFDA Number 10.555 - National School Lunch Program
  - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Storm Lake Community School District did not qualify as a low-risk auditee.

**STORM LAKE COMMUNITY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs**

Year ended June 30, 2007

**Part II: Findings Related to the General Purpose Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

07-II-A      Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

**Part III: Findings For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

CFDA Number: 84.101    Title I Grants to Local Education Agencies

Agency Number: 6219-G-07

Federal Award Year: 2007

US Department of Education

Passed through Iowa Department of Education

CFDA Number: 84.287    21<sup>st</sup> Century Community Learning Centers Program

Federal Award Year: 2007

US Department of Education

Passed through Iowa Department of Education

CFDA Number: 10.553    School Breakfast Program

10.555    National School Lunch Program

Federal Award Year: 2007

US Department of Agriculture

Passed through Iowa Department of Education

**STORM LAKE COMMUNITY SCHOOL DISTRICT**

**Schedule of Findings and Questioned Costs**

Year ended June 30, 2007

**Part III: Findings For Federal Awards:**

**(continued):**

07-III-A Segregation of Duties over Federal Funds - The District did not properly segregate custody, record-keeping and reconciling functions for funds, including those related to Federal programs.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

07-IV-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2007.

07-IV-B Certified Budget - Expenditures for the year ended June 30, 2007, did not exceed the amounts budgeted in any of the four functions.

07-IV-C Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

07-IV-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

07-IV-E Business Transactions - No business transactions between the District and District officials or employees were noted.

07-IV-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

07-IV-G Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

07-IV-H Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

07-IV-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

07-IV-J Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.